

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GRAYSON COUNTY)	
WATER DISTRICT FOR A GENERAL RATE)	
ADJUSTMENT, TO INCREASE NON-)	
RECURRING CHARGES, TO INCREASE)	CASE NO.
FEES, AND TO REVISE ITS TARIFF)	2004-00511
PURSUANT TO THE PROVISIONS OF KRS)	
278.030, 278.0152, 807 KAR 5:001 AND)	
807 KAR 5:011)	

ORDER

On March 14, 2005, Grayson County Water District (“Grayson”) filed its application for Commission approval of proposed water rates, non-recurring charges, and complete tariff revision. The proposed water rates would generate additional annual revenues of \$290,135, a 14.35 percent increase in normalized test-year water sales of \$2,022,238. The proposed rates would increase the monthly cost of 5,000 gallons from \$32.89 to \$37.56, or 14.20 percent.

Upon request, intervention was granted to the Attorney General of the Commonwealth of Kentucky (“Attorney General”) by Order dated February 18, 2005.

Commission Staff performed a limited financial review of Grayson’s operations. On July 15, 2005, the Commission issued Commission Staff’s report of its findings and recommendations on Grayson’s application. The Commission further ordered that all parties submit their comments or requests for an informal conference or hearing within 10 days. On July 25, 2005, Grayson filed with the Commission its comments in which it accepted the recommendations of the Staff Report and requested that the Commission

approve Staff's recommendations. The Attorney General did not submit any comments on the Staff Report or request a hearing in this matter.

In its report Staff found Grayson to have a revenue deficiency at present rates of \$579,849 but recommended Grayson's requested revenue increase of \$290,135 be granted as it produces a level of revenue sufficient to meet Grayson's pro forma cash expenses. Even though Staff recommended revenue requirements equal to those requested by Grayson, Staff determined rates that were slightly different than those requested by Grayson due to the effect of Staff's adjustments to test-year pro forma operations on Grayson's Cost-of-Service Study. The rates recommended by Staff would increase the monthly bill of a customer using 5,000 gallons from \$32.89 to \$36.48 or 10.92 percent.

Staff further found that Grayson's proposed non-recurring charges were appropriate and recommended that they be approved by the Commission. Staff recommended that all tariff language revisions be approved with the exception of those related to non-developer main extension refunds. Staff found Grayson's proposed language for non-developer main extension refunds to be unnecessarily complex and in error. Staff recommended that Grayson's current tariff language regarding non-

developer extension refunds, which states extension refunds will be made in accordance with 807 KAR 5:066, Section 11(2)(b),¹ remain in effect.

The Commission, after considering the evidence of record and being otherwise sufficiently advised, finds that the recommendations and findings contained in the Staff Report are supported by the evidence of record, are reasonable, and are hereby adopted as the findings of the Commission in this proceeding and are incorporated by reference as if fully set out herein.

IT IS THEREFORE ORDERED that:

1. The rates for water service proposed by Grayson in its application are hereby denied.
2. The rates for water service and the non-recurring charges as set out in Appendix A of this Order are approved for services rendered by Grayson on and after the date of this Order.

¹ Our review of Grayson's proposed tariff also indicated additional problems:

Section II.B(3) refers to a "Water Utility Service Contract" that is not set forth in Grayson's existing or proposed tariff. As the contract terms are a condition of service imposed on each applicant for service, KRS 278.160(2) requires the utility's filed tariff to contain a copy of the contract.

Section II.J(d)(5) permits the water utility to discontinue service for a customer's failure to notify the utility of additions to the property or fixtures to be supplied or additional use to be made of water constitutes grounds for dismissal. We find this provision is unnecessarily broad in its current form and should not be approved.

Section II.AD(6) refers to a "meter investigation charge" that is not identified or stated at any section of the proposed tariff. We find that references to such charge should therefore be deleted from the proposed tariff.

Section II.AG directly conflicts with the provisions of Administrative Regulation 807 KAR 5:066, Section 11(3). Grayson has failed to demonstrate why its circumstances require a deviation from these provisions.

3. With the exception of Sections II.J(d)(5), II.AD(6), II.AF, II.AG and the rates contained in the proposed revised tariff that conflict with those set forth in Appendix A to this Order, Grayson's proposed tariff is approved.

4. Proposed Tariff Section II.AD (6) is revised and approved in the following form:

Fire hydrants shall not be used by any contractor, property owner, governmental agency, individual corporation or others to secure water for any purpose. The use of a fire hydrant by anyone other than properly authorized fire department personnel for fighting a fire shall be considered a "theft of service." The user shall reimburse the district for any damages to the district's property and full cost of services fraudulently obtained.

5. Sections II.AF and II.AG of Grayson's proposed tariff are not approved.

6. Within 30 days of the date of this Order, Grayson shall file with the Commission its revised tariff as approved herein. This revised tariff shall contain provisions relating to the extension of water service that are consistent with Administrative Regulation 807 KAR 5:066, Section 11, and shall also contain a copy of its "Water Utility Service Contract."

7. Three years from the effective date of this Order, Grayson shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

Done at Frankfort, Kentucky, this 15th day of August, 2005.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2004-00511 DATED August 15, 2005

The following rates and charges are prescribed for the customers in the area serviced by Grayson County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Monthly Water Rates

5/8" Meter

First	1,500	gallons	\$13.06 Minimum Bill
Next	8,500	gallons	6.69 per 1,000 gallons
Next	40,000	gallons	6.00 per 1,000 gallons
Next	100,000	gallons	5.31 per 1,000 gallons
Over	150,000	gallons	4.63 per 1,000 gallons

3/4" Meter

First	3,000	gallons	\$23.10 Minimum Bill
Next	7,000	gallons	6.69 per 1,000 gallons
Next	40,000	gallons	6.00 per 1,000 gallons
Next	100,000	gallons	5.31 per 1,000 gallons
Over	150,000	gallons	4.63 per 1,000 gallons

1" Meter

First	5,000	gallons	\$36.48 Minimum Bill
Next	5,000	gallons	6.69 per 1,000 gallons
Next	40,000	gallons	6.00 per 1,000 gallons
Next	100,000	gallons	5.31 per 1,000 gallons
Over	150,000	gallons	4.63 per 1,000 gallons

1 1/2" Meter

First	10,000	gallons	\$69.93 Minimum Bill
Next	40,000	gallons	6.00 per 1,000 gallons
Next	100,000	gallons	5.31 per 1,000 gallons
Over	150,000	gallons	4.63 per 1,000 gallon

2" Meter

First	16,000	gallons	\$105.93 Minimum Bill
Next	34,000	gallons	6.00 per 1,000 gallons
Next	100,000	gallons	5.31 per 1,000 gallons
Over	150,000	gallons	4.63 per 1,000 gallons

3" Meter

First	30,000	gallons	\$189.93 Minimum Bill
Next	20,000	gallons	6.00 per 1,000 gallons
Next	100,000	gallons	5.31 per 1,000 gallons
Over	150,000	gallons	4.63 per 1,000 gallons

4" Meter

First	50,000	gallons	\$309.93 Minimum Bill
Next	100,000	gallons	5.31 per 1,000 gallons
Over	150,000	gallons	4.63 per 1,000 gallons

6" Meter

First	100,000	gallons	\$575.43 Minimum Bill
Next	50,000	gallons	5.31 per 1,000 gallons
Over	150,000	gallons	4.63 per 1,000 gallons

Non-Recurring Charges

Service Line Inspection	\$	75.00
Returned Check Charge		25.00
Reconnection		50.00
Reconnection (After Hours)		125.00
Service Call		25.00
Service Call (After Hours)		100.00
Connection – Turn On		25.00
Connection – Turn On (After Hours)		100.00
Meter Reread		25.00
Meter Reread (After Hours)		100.00
Damage to Meter		Actual Cost
Meter Test		50.00
Meter Relocation		Actual Cost
Field Collection		25.00
Late Payment Penalty		10%

Tap Fees: by Connection Size

5/8"	550.00
3/4"	Actual Cost
1"	Actual Cost
1 1/2"	Actual Cost
2"	Actual Cost
3"	Actual Cost
4"	Actual Cost
6"	Actual Cost